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Programme and Budget Committee

Seventh session
Vienna, 22-26 April 1991
Item 3 of the provisional agenda

ANNOTATED PROVISIONAL AGENDA

Item 1. Opening of the session

The seventh session of the Programme and Budget Committee will be opened by Mr. R. Pabón García (Venezuela), Chairman of the sixth session.

Item 2. Election of officers

In accordance with rule 17.1 of the rules of procedure (UNIDO/4), the Committee shall elect from among the representatives of its members a Chairman and three Vice-Chairmen and from among the delegations of its members a Rapporteur. Rule 17.3 also stipulates that the offices of the Chairman, the three Vice-Chairmen and the Rapporteur shall be subject to equitable geographical rotation within a five-year cycle in accordance with appendix A to the rules of procedure. According to that appendix, the Chairman of the seventh session should be elected from members of the Committee among the African States included in list A of annex I to the Constitution and the three Vice-Chairmen from members in list B, from the Asian States plus Yugoslavia in list A and from list C, respectively. The Rapporteur should be elected from members of the Committee included in list D.

Item 3. Adoption of the agenda

A provisional agenda for the seventh session of the Committee, prepared by the Director-General in consultation with the Chairman of the sixth session in accordance with rules 8 and 9 of the rules of procedure, is submitted to the Committee for adoption in document PBC.7/1.

Item 4. Follow-up of recommendations of the External Auditor for the financial period 1988-1989

The report of the External Auditor on the accounts of UNIDO and the Industrial Development Fund for the financial period 1988-1989 (PBC.6/15 and Corr.1 - IDB.7/11 and Corr.1) was considered by the Committee at its sixth session. The Committee on that occasion requested the Director-General to report to the Board on the action taken by him in implementation of the observations in the report of the External Auditor, especially with regard to: stricter budgetary control; accounting practice in respect of trade-in of vehicles and equipment items; contracts and purchases; and compilation of accounting and financial procedures by preparation of a manual. The Director-General reported on the subject to the Board at its seventh session (IDB.7/11/Add.2). In the light of that report, the

Board, in its decision IDB.7/Dec.5 (c), requested the Director-General to submit to the Committee at its seventh session more detailed information on some specific items.

Accordingly, the Committee will have before it:

- Follow-up of recommendations of the External Auditor for the financial period 1988-1989. Report by the Director-General (PBC.7/13).

Item 5. Financial situation of UNIDO

The Committee will have before it the following documents related to the financial situation of UNIDO:

- Status of assessed contributions paid and of advances to the Working Capital Fund and cash flow analysis for 1991 (as of 28 February 1991). Report by the Director-General (PBC.7/2) to be updated immediately before the session;
- Use of unutilized balances of appropriations for the biennium 1986-1987. Proposals by the Director-General (PBC.7/15) (see also item 6 below).

Item 6. Use of unutilized balances of appropriations for the biennium 1986-1987

Upon recommendation of the Board (IDB.4/Dec.26 (d)), the General Conference at its third session decided to suspend temporarily financial regulations 4.2 (b) and 4.2 (c) with respect to the 1986-1987 biennium to allow UNIDO to retain the unutilized balances of the appropriations for that biennium (GC.3/Dec.17). These financial regulations relate to the surrendering to Member States of the unencumbered balance of appropriations at the end of a fiscal period.

When addressing that recommendation to the Conference, the Board also requested the Director-General to report through the Programme and Budget Committee to the Board at its next session on the use of these balances. Information on the subject was provided by the Director-General in chapter IV of the financial performance report for the biennium 1988-1989 (PBC.6/11-IDB.7/10). The Committee at its sixth session, having considered that information, recommended to its Chairman to conduct informal consultations to study the appropriate conditions for continued suspension of financial regulations 4.2 (b) and 4.2 (c) allowing

UNIDO to retain the 1986-1987 unutilized balance of appropriations in the context of the computerization programme and report to the Board at its seventh session (conclusion 1990/3). Subsequently, the Board, while taking note with appreciation of the report by the Chairman of the Committee, decided to defer consideration of the subject to its eighth session through the seventh session of the Committee.

In the light of the current financial situation (item 5 above), further proposals for the use of unutilized balances of appropriations for the biennium 1986-1987 will be submitted by the Director-General to the Committee.

The Committee will have before it:

- Informal consultations on the suspension of financial regulations 4.2 (b) and 4.2 (c). Report by the Chairman of the sixth session of the Programme and Budget Committee, H.E. Mr. R. Pabón García. (IDB.7/37);
- Use of unutilized balances of appropriations for the biennium 1986-1987. Proposals by the Director-General (PBC.7/15).

Item 7. Examination of 15 per cent reserve of total appropriations

When approving the programme and budgets for the biennium 1990-1991 (decision GC.3/Dec.23), the General Conference decided that, from the total amount of the 1990-1991 appropriations, an amount representing 15 per cent of those appropriations should be kept in reserve by the Director-General pending receipt from Member States of their assessed contributions. Such a decision had also been taken by the Conference when approving the programme and budgets for the biennium 1988-1989 (decision GC.2/Dec.22).

In his introductory statement to the sixth session of the Committee, the Director-General explained the difficulties he was experiencing in maintaining the 15 per cent reserve under precarious cash flow conditions. Accordingly, the Committee, recalling the relevant decisions of the Conference and the comments of the External Auditor on the subject (PBC.6/15 and Corr.1, paras. 60 to 62), requested the Director-General to prepare proposals to permit at the seventh session of the Committee an examination of the stipulation that an amount representing 15 per cent from the total amount of the appropriations should be kept in reserve pending receipt from Member States of their assessed contributions (PBC conclusion 1990/4 (e)).

The Committee will have before it:

- Examination of the 15 per cent reserve of the total appropriations. Proposal by the Director-General (PBC.7/4).

Item 8. Interim financial performance report and programme performance report

Financial regulation 10.6 stipulates that, at the beginning of the second calendar year of each fiscal period, the Director-General shall submit to the Programme and Budget Committee an interim financial report on significant financial developments that have affected the Organization during the first calendar year of the fiscal period concerned. In accordance with regulation 11.10, the report on the interim accounts shall be completed

not later than by 1 June following the calendar year to which it relates.

Furthermore, the Committee at its third resumed session of 29 June 1987 (conclusion 1987/19) requested the Director-General to submit each year to the Board through the Committee a clear and detailed financial performance report itemizing the utilization of financial resources, as well as a programme performance report describing the level of programme implementation. Subsequently, the Board at its seventh session (decision IDB.7/Dec.11), upon recommendation of the Committee, approved the incorporation of the programme performance report in the annual report, as proposed by the Director-General in document IDB.7/3/Add.1. As explained in that document, the programme performance report prepared for the 1988-1989 biennium (PBC.6/7-IDB.7/6) was the last of its kind. In the biennium 1990-1991, which is a transition period towards the new formats, the annual report would incorporate to a greater degree the qualitative analyses and statistical data contained in the performance report. This information would be supplemented by the financial statements, which would continue to be issued as a separate document. Therefore, an attempt has been made in the Annual Report, 1990 to ensure that the description of programme performance is closely related to the output citations in the programme budget. As in the past, the Annual Report is scheduled for submission to the Board session (1-5 July 1991). The Secretariat is, however, trying to have the document available for distribution during the seventh session of the Committee.

The Committee will have before it:

- Interim financial performance report for the biennium 1990-1991. Submitted by the Director-General (PBC.7/16);
- Annual Report of UNIDO, 1990 (IDB.8/10).

Item 9. Medium-term plan, 1992-1997

In accordance with General Conference decision GC.2/Dec.23, the Director-General is requested to submit to the Board in the first year of each fiscal period, through the Committee, a draft medium-term plan for the six years that follow the current fiscal period. The draft medium-term plan should be prepared in accordance with the principles mentioned in that decision. Furthermore, in compliance with paragraph (b)(v)d of the same decision, the Director-General should also submit a preview of the biennium 1992-1993 providing a general indication of the human and financial resources required.

At its third session, the Conference adopted resolution GC.3/Res.21 concerning the medium-term plan, 1990-1995, and requested the Director-General to take into account that resolution when submitting the draft medium-term plan, 1992-1997.

A draft medium-term plan, 1992-1997 was submitted to the seventh session of the Board through the Committee together with a preview of the first biennium 1992-1993 and preliminary indicative general ceiling (PBC.6/8, Add.1 and Corr.1 - IDB.7/7, Add.1 and Corr.1). In its decision IDB.7/Dec.14, the Board noted the draft medium-term plan for 1992-1997 submitted by the Director-General (IDB.7/7 and Corr.1) with the view that it be further considered by Member States at inter-session informal consultations, under the guidance

of the Bureau of its seventh session, in the light of the changing priorities of the developing countries and recent developments in the world economy and in the United Nations system. The Board also requested the Director-General to present to the Committee at its seventh session a revised version of the draft medium-term plan, 1992-1997, and provided specific instructions as to the presentation of that draft.

The Committee will have before it:

- Revised draft medium-term plan, 1992-1997. Submitted by the Director-General (PBC.7/17);
- Inter-sessional informal consultations on the medium-term plan for 1992-1997. Report by the Chairman (conference room paper).

Item 10. Programme and Budgets, 1992-1993

In accordance with Article 14.1 and 14.2 of the Constitution, the Director-General shall prepare and submit to the Board through the Committee a draft programme of work for the following fiscal period, together with the corresponding estimates for those activities to be financed from the regular budget. The Director-General shall, at the same time, submit proposals and financial estimates for those activities to be financed from voluntary contributions to the Organization. The Committee shall consider the proposals of the Director-General and submit to the Board its recommendations on the proposed programme of work and corresponding estimates for the regular budget and the operational budget. Such recommendations of the Committee shall require a two-thirds majority of the members present and voting.

At its seventh session, the Board requested the Director-General to ensure that the prioritization of the thrust areas, for which the programme resources are proposed for the 1992-1993 budget, is in conformity with the priorities already approved for the medium-term plan, 1990-1995, in Conference resolution GC.3/Res.21 (decision IDB.7/Dec.14, para. (h)).

The Committee will have before it:

- Programme and budgets, 1992-1993. Proposals of the Director-General (PBC.7/10-IDB.8/8).

Item 11. Scale of assessments for apportionment of the regular budget expenses

The General Conference at its fourth session will have to establish a scale of assessments for the years 1992-1993. In accordance with Article 10.4 (b) of the Constitution, the Committee shall prepare the draft scale of assessments for regular budget expenditures, for submission to the Board. Article 15.2 of the Constitution stipulates that the scale of assessments shall be based to the extent possible on the scale most recently employed by the United Nations and that no Member shall be assessed more than 25 per cent of the regular budget of the Organization.

In accordance with financial regulation 5.1 (d), the General Conference adopted for the fiscal periods 1988-1989 and 1990-1991 a system of assessment of contributions to the regular budget under which each assessment of a Member State is established in United States dollars and in Austrian

schillings. The application of the split-currency system of assessment will be reviewed by the Committee under item 13 of the provisional agenda.

The Committee will have before it:

- Scale of assessments for the fiscal period 1992-1993. Note by the Secretariat (PBC.7/6-IDB.8/4).

Item 12. Working Capital Fund for the biennium 1992-1993

In accordance with financial regulation 5.4 (a), the Committee should recommend to the Board the amount and purposes of the Working Capital Fund for the 1992-1993 biennium.

At its third session, the General Conference decided that the level of the Working Capital Fund should be \$9 million, that the authorized purposes of the Fund for the 1990-1991 biennium should remain the same as for the 1988-1989 biennium (see GC.2/Dec.27) and that the advances to the Working Capital Fund should continue to be assessed and paid in United States dollars, as stated in financial regulation 5.5 (d) (decision GC.3/Dec.20).

The Committee will have before it:

- Status of advances to the Working Capital Fund as of 28 February 1991 (PBC.7/2) (to be updated during the session);
- Proposals for the Working Capital Fund for the biennium 1992-1993. Note by the Director-General (PBC.7/9-IDB.8/7).

Item 13. Application of split-currency system of assessment

As mentioned under items 11 and 12 above, the General Conference at its third session decided to continue the application of the split-currency system of assessments for the regular budget in accordance with financial regulation 5.1 (d) (GC.3/Dec.19), while the advances to the Working Capital Fund should continue to be assessed and paid in United States dollars, as stated in financial regulation 5.5 (d) (GC.3/Dec.20). The administration of the split-currency system of assessment was reviewed by the External Auditor in his report on the accounts for the financial period 1988-1989 (PBC.6/15 and Corr.1 - IDB.7/11 and Corr.1). Having considered that report, as well as a note by the Secretariat on the treatment of outstanding assessed contributions to the regular budget (IDB.7/13), the Committee requested the Director-General to examine in consultation with Member States, on the basis of recommendations of the External Auditor's report, the implications of the split-currency system with a view to obtaining an optimal proportion of Austrian schillings to United States dollars, and to report to the Board at its seventh session for a decision (conclusion 1990/3).

Subsequently, the Board, having taken note of the report of the Director-General on the implications of the split-currency system of assessment (IDB.7/30), requested him to study further in consultation with Member States alternatives to the present split-currency system, including the introduction of a constant dollar basis for both budgeting and reporting purposes, in

an effort to determine an optimum system for UNIDO and its Member States. The Director-General was requested to report on the subject to the Programme and Budget Committee at its seventh session, together with a tabulation containing the financial data of each option for each Member State, based on the assessed contributions to the regular budget for the 1990-1991 biennium.

The Committee will have before it:

- Review of the split-currency system of assessment. Report by the Director-General (PBC.7/5).

Item 14. Industrial Development Fund

In accordance with Article 17 of the Constitution, in order to increase the resources of the Organization and to enhance its ability to meet promptly and flexibly the needs of the developing countries, the Organization shall have an Industrial Development Fund (IDF) which will be financed through the voluntary contributions to the Organization provided for in Article 16, and other income as may be provided for in the financial regulations of the Organization. The Director-General shall administer IDF in accordance with the general policy guidelines governing the operations of the Fund that are established by the Conference, or by the Board acting on behalf of the Conference, and in accordance with the financial regulations of the Organization. Rules governing the financial management of IDF were prepared by the Director-General in accordance with the financial regulations established by the Conference in its decision GC.2/Dec.25. These rules are contained in the Financial Rules of UNIDO (UNIDO/DG/B.74).

The Board, in its decision IDB.4/Dec.30, requested the Director-General to provide information as to the nature of projects financed from the Fund, indicating therein the projects financed from its general-purpose segment as well as information as to the projects financed from its special-purpose segment.

At its seventh session, the Board took note of the proposed programming thrust for 1991 and 1992 (IDB.7/2, chap. II) and decided to delegate authority to the Director-General to approve projects for financing under the Fund in 1991-1992 taking into account the priority areas of the medium-term plan, 1990-1995 (IDB.7/Dec.10). The General Conference, in its decision GC.3/Dec.25, requested the Director-General to submit periodically a detailed report on the matter to the Board in the annual report. In 1990, pledges to IDF were made during the seventh session of the Board.

The Committee will have before it:

- Industrial Development Fund - Estimated resource level and programming for 1992 and 1993. Report by the Director-General (PBC.7/14-IDB.8/11);
- Information on the nature of projects financed from the Fund, contained in the Annual Report of UNIDO, 1990 (IDB.8/10, chap. VIII, paras. 16-21. and appendix H);
- Lists of projects approved under the Industrial Development Fund (IDF) (PBC.7/CRP.1).

Item 15. Recommendations for appointment of an External Auditor

In accordance with financial regulation 11.1, an External Auditor, who shall be Auditor-General (or an officer exercising an equivalent function) of a Member State, shall be appointed in the manner and for the period decided by the Conference.

On the basis of recommendations by the Committee and the Board, the General Conference by decision GC.1/Dec.34 appointed the Senior President of the Audit Office of Belgium as the External Auditor for UNIDO for a period of two years beginning on 1 July 1986 and subsequently (GC.2/Dec.28 and GC.3/Dec.22) extended that appointment until 30 June 1992. The Committee may wish to make recommendations, through the Board, to the Conference on the question of appointment of an External Auditor for the period 1 July 1992 to 30 June 1994.

The Committee will have before it:

- Recommendations for appointment of an External Auditor. Note by the Secretariat (PBC.7/11).

Item 16. Organizational and staff structure

In its resolution GC.3/Res.20, the General Conference, while taking note of the management review of the organizational and staff structure of UNIDO (IDB.5/9) as well as the findings and recommendations of the Director-General on the management review (IDB.5/9/Add.1 and Corr.1) and the report of the Director-General on the organizational and staff structure of UNIDO (GC.3/33), invited the Director-General to pursue his in-depth study on the appropriate organizational structure of UNIDO in accordance with the criteria set out in paragraph (h) of Conference decision GC.2/Dec.22. At the same time, it requested the Director-General to present to the Conference at its fourth session, through the Board, a report on his overall vision of the appropriate organizational and staff structure of UNIDO, including clear terms of reference and functions for the different departments and divisions, taking into account the medium-term plan. It also requested the Director-General to continue to consult, as appropriate, with Member States and, at the request of the President of the Board, to initiate further informal exchanges of views and studies of options for the long-term reform process and optimum staff structure, especially after presentation of the report to be submitted to the Board and the Conference.

Accordingly, the Director-General presented to the Board at its seventh session a report on his overall vision of the appropriate structure (IDB.7/33). The Board, in its decision IDB.7/Dec.23, while taking note of that report, requested the Director-General to continue to update and revise his vision of the organizational and staff structure of UNIDO taking into account the views expressed by Member States and the staff of UNIDO during the seventh session of the Board, as well as to provide his vision of project cycle and management in the proposed structure. The Board also established an open-ended working group under the guidance of its Bureau, to review the organizational and staff structure of UNIDO and report to the seventh session of the Committee, bearing in mind Conference decision GC.2/Dec.22 (h),

the medium-term plan, and the constitutional mandates of UNIDO.

The Committee will have before it:

- Organizational and staff structure of UNIDO. Report of the open-ended working group of the Board.

Item 17. Computerization programme of UNIDO

At its sixth session the Committee, having been presented with a progress report on the computerization programme of UNIDO (PBC.6/CRP.5), requested the Director-General to submit to the Board at its seventh session a more detailed report on the subject (PBC conclusion 1990/2).

Subsequently, the Board considered the report by the Director-General (IDB.7/31 and Add.1) and adopted decision IDB.7/Dec.26 by which it inter alia: (a) requested the External Auditor to examine in depth all aspects of the acquisition of the electronic data-processing (EDP) system, and to report, in terms of conformity with or departure from financial propriety, procedural responsibility and fiscal management; and (b) established a working group of independent experts funded by Member States to reassess UNIDO's needs regarding computerization from the technical point of view, to examine the contractual aspects of the proceedings, to study the financial options applicable, and to make appropriate recommendations on an EDP system. The Board further requested its President and the Director-General of UNIDO to invite respectively the Chairman of the Board of Governors and the Director-General of the International Atomic Energy Agency, the Director-General of the United Nations Office at Vienna and the Commissioner-General of the United Nations Relief and Works Agency for Palestine Refugees in the Near East, to examine the possibility of a joint management and/or use of the installed computer capacities of the Vienna-based Organizations of the United Nations system so as to obtain maximum efficiency and economy. The Board also decided to consider the reports of the External

Auditor, the working group and the Director-General on this matter at its eighth session, through the Committee at its seventh session.

The Committee will have before it:

- Report to the Programme and Budget Committee on the results of a specific, in-depth external audit examination of the electronic data-processing system acquisition project of the United Nations Industrial Development Organization. Report by the External Auditor (PBC.7/3-IDB.8/3);
- Comments on the report of the External Auditor on the in-depth examination of all aspects of the acquisition of the electronic data-processing system. Submitted by the Director-General (PBC.7/7-IDB.8/5);
- Report of the working group of independent experts on the computerization of UNIDO (Vienna, 11-14 February 1991) (PBC.7/8-IDB.8/6);
- Computerization programme of UNIDO: Progress report on the implementation of Board decision IDB.7/Dec.26. Submitted by the Director-General (PBC.7/18-IDB.8/12).

Item 18. Date of eighth session of the Committee

The following dates have been tentatively reserved for the policy-making organs of UNIDO in 1992:

18-22 May 1992	IDB - ninth session
29 June - 3 July 1992	PBC - eighth session
2-6 November 1992	IDB - tenth session

Item 19. Adoption of the report of the seventh session

Item 20. Closure of the session